



**House
Legislative
Analysis
Section**

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**FINANCIAL INSTITUTIONS:
EMERGENCY CLOSINGS**

**House Bill 6329 (Substitute H-1)
First Analysis (9-24-02)**

**Sponsor: Rep. Scott Hummel
Committee: Insurance and Financial
Services**

THE APPARENT PROBLEM:

Under current law, banks and savings and loan associations have the authority to suspend business in the event of an existing or impending emergency. The definition of "emergency" contained in the statute includes fire, weather related events, earthquakes, power failure, shortages of food or fuel, robbery, and civil unrest. The closings of these institutions can be by proclamation by the commissioner of the Office of Financial and Industry Services (OFIS) or by the chief executive officer of the institution. However, there is no parallel law that applies to savings banks, credit unions, national banks, and federal savings banks and credit unions. Further, the current law would not provide for closings in the event of a terrorist attack. Legislation has been proposed to address these shortcomings in the law.

THE CONTENT OF THE BILL:

Public Act 232 of 1978, among other things, permits banks and savings and loan associations to suspend business in the event of an existing or impending emergency. The bill would expand the act's provisions to apply to all financial institutions. Under the bill, "financial institution" would mean a nationally, federally, or state chartered bank, savings bank, credit union, or savings and loan association. The bill would make the following changes to the act:

- Replace references to "banks and savings and loan associations" with "financial institutions".
- Add a definition for "office" (a place at which a financial institution transacts its business or conducts operations related to its business) and "officer" (a person designated by the board of directors of a bank or association to carry out this act).
- Add "terrorist attack" to the list of events that may constitute an emergency.

- Delete a provision allowing the governor to authorize banks and associations, in connection with a day of national mourning, rejoicing, or other special observance, to close on a day the governor designates. The commissioner of the Office of Financial and Insurance Services (OFIS) would still have the authority to close financial institutions on a day designated by proclamation of the president of the United States or the governor for such observances.

- Clarify a provision authorizing a designated officer of a financial institution to close one or more offices of the institution if he or she determined that an emergency existed even if the commissioner had not or did not issue a proclamation of emergency.

- Make several nonsubstantive, editorial changes for clarification and to remove superfluous language.

MCL 487.941 et al

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would have no fiscal impact on the state or on local units of government. (9-18-02)

ARGUMENTS:

For:

The bill would remedy a shortcoming in the law by allowing all types of depository financial institutions to suspend business operations in the event of an emergency. Currently, the law only pertains to banks and savings and loan associations. Also, as evidenced by the events of September 11, 2001, the definition of "emergency" needs to be expanded to include terrorist attacks. Lastly, the bill would update several provisions to reflect current business practices, remove superfluous language, and clarify confusing passages.

House Bill 6329 (9-24-02)

POSITIONS:

The Office of Financial and Insurance Services (OFIS) supports the bill. (9-18-02)

The Michigan Credit Union League (MCUL) supports the bill. (9-18-02)

Analyst: S. Stutzky

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.